



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF  
CHIEF COUNSEL

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The Honorable Slade Gorton  
United States Senate  
Washington, D.C. 20510

Attention: Tara Ord

Dear Senator Gorton:

This letter is in response to your inquiry dated May 13, 2000, on behalf of your constituent, [REDACTED]. [REDACTED] is concerned that there is an inequity in the due dates for the four installments of estimated tax. He believes the second and third installments should be due on the fifteenth day after the end of a quarter.

Statutory Installment Due Dates

Estimated tax installment due dates are set by statute, the Internal Revenue Code (the Code). Section 6654(c) of the Code provides for four installments of estimated tax, to be paid April 15, June 15, September 15 and January 15 of the following year. [REDACTED] suggests that the second and third installments should be due on July 15 and October 15, respectively.

The June 15 and September 15 installment dates have been in the Code since the estimated tax provisions were enacted in 1943. At that time, individual income tax returns were due on March 15, and the four estimated tax installments were set at quarterly intervals beginning with the return due date. The installments were therefore due on March 15, June 15, September 15, and December 15. In 1944, the Congress changed the due date for the fourth installment to January 15 of the following year. In 1954, the Congress changed the individual tax return due date to April 15 and the due date for the first installment of estimated tax to April 15. The due dates for the second and third installments were never changed. Any change would require legislative action.

### Annual Estimates of Tax

██████████ states that the June 15 and September 15 installment due dates mean a taxpayer is being taxed on one half of a month's income that is not yet earned. An estimated tax installment is not computed on income earned during a quarter but is based on the taxpayer's required annual payment of estimated tax. The amount of a required installment is 25 percent of the required annual payment. The required annual payment is, generally, the lesser of (1) an amount equal to 90 percent of the tax shown on the taxpayer's return for the year, or (2) 100 percent of the tax shown on the return for the previous year. Therefore, the amount due for each installment is the same, regardless of the due date of the installment or the amount of income earned in a particular month or quarter. See section 6654(d)(1) of the Code.

### An Alternative Installment Method: Annualized Income

A taxpayer whose income varies during the year can also use the annualized income method, which may result in lower required installments of estimated tax. See section 6654(d)(2) of the Code. Under this method, the four installments of estimated tax must be paid by the due dates in section 6654(c), but the amount due for each installment may vary. The amount due is a percentage of the yearly tax based on the taxpayer's income, as annualized, for the months in the taxable year ending before the due date of the installment. For the installment due June 15, income earned from January 1 through May 31 is annualized, and the estimated tax due would be 45 percent of the yearly tax due on that annualized income. A taxpayer who uses the annualized income method must attach Form 2210 showing the computation of the required estimated tax installments to his or her income tax return.

I hope this information is helpful. If you need further assistance, please call me or Nancy Rose (ID #50-06240) at (202) 622-4910.

Sincerely,

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Lewis J. Fernandez  
Deputy Assistant Chief Counsel  
(Income Tax & Accounting)